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AMENDMENT AGREEMENT

BETWEEN:

UNION PACIFIC RAILROAD COMPANY, a corporation having a place of business at 1416 Dodge Street, Omaha, NE 68179, USA

(hereinafter referred to as "UP")

AND:

RAILPOWER TECHNOLOGIES CORP., a Canadian company having a place of business at Suite 202, 50 Fell Avenue, North Vancouver, British Columbia, Canada V7P 3S2

(hereinafter referred to as "RAILPOWER")

WHEREAS UP and RAILPOWER entered a Demonstration Lease Agreement dated November 30, 2001 (the "Lease") and now wish to amend its terms;

IN CONSIDERATION of good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Subsection 2.2 of the Lease is amended to extend the period of the Lease until and including June 30, 2003 and for use wherever in the USA UP designates.
2. Notwithstanding Section 3.1 of the Lease no amounts are payable by UP with respect to use during the quarter September 1, 2002 to December 31, 2002 provided costs as provided in Section 3.1 will be payable for the period January 1, 2003 to June 30, 2003.
3. Except for the foregoing all other provisions, terms and conditions in the Lease shall remain in full force and effect.

IN WITNESS WHEREOF the parties have executed this Agreement with effect this 17th day of January 2003.

UNION PACIFIC RAILROAD COMPANY

Per: 

Nicolas Krajicek
Manager of Purchasing/Leasing

RAILPOWER TECHNOLOGIES CORP.

Per: 

Gerard Kordyl
President & CEO

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DEMONSTRATION LEASE AGREEMENT dated November 30, 2001.

BETWEEN UNION PACIFIC RAILROAD COMPANY, a corporation having a place of business at 1416 Dodge Street, Omaha, NE 68179, USA (hereinafter referred to as "UP")

AND RAILPOWER TECHNOLOGIES CORP., a British Columbia company having a place of business at 1118-777 Dunsmuir Street, Vancouver, British Columbia, Canada V7Y 1K4, (hereinafter referred to as "RAILPOWER")

WHEREAS:

- A. RAILPOWER has designed and built a hybrid power switcher locomotive known as the "Green Goat", manufactured a demonstrator whose locomotive reporting marks are RPRX 2001 and patented same;
- B. UP is an operating freight railroad that uses switchers and wishes to evaluate the suitability and business case of the Green Goat in actual freight railway field conditions;
- C. Commercial demonstration needs to be undertaken to confirm various factors of the features and benefits of the Green Goat in order to validate the business case for UP future needs;

This Agreement sets forth the mutual agreement of the parties as follows:

1. SCOPE AND PURPOSE

- 1.1 The purpose of this agreement is to establish the principles upon which UP and RAILPOWER will demonstrate the Green Goat yard switcher,
- 1.2 Nothing in this agreement shall commit UP in any manner to purchasing any locomotives or other services from RAILPOWER. Should any such transaction arise from this demonstration, the parties will execute new agreements to replace this agreement.

2. ACTION PLAN

- 2.1 In order to further define the evaluation program the following are the intended steps:
 - (a) UP sent a Representative to Vancouver on October 4, 2001,
 - (b) The UP Representative and RAILPOWER will agree on conditions precedent for acceptance for delivery by UP of the Green Goat demonstrator. These terms shall be signed by both parties and attached to

this agreement as Appendix "A" and when attached shall form a part of this agreement;

2.2 UP and RAILPOWER shall determine a demonstration and longevity protocol that meets the requirement of UP for evaluation as well as RAILPOWER's additional requirements. When complete and signed by both parties it will be labelled Appendix "B" and when attached to shall form part of this agreement. While Appendix "B" will define the demonstration the following items will be addressed:

- (i) confirmation of the location as Roseville, California, USA or arrangement of alternate site;
- (ii) procedure to confirm tractive effort;
- (iii) methodology for RAILPOWER personnel to interact and interface with the demonstration;
- (iv) confirmation of the demonstration lease period as a minimum of six months and maximum of one year ;
- (v) update the business case for the Green Goat including new technical and operating cost data;
- (vi) provision for loan to Pacific Harbor Lines in California for one month.

3.COSTS

3.1 For each available day of service UP will pay to RAILPOWER the sum of US\$ 200. "Available day of service" shall mean when the locomotive is available to UP, not in for maintenance and not out on loan. This will apply to the greater of the minimum lease period of six months or the period from delivery to UP in California to return of the Green Goat demonstrator to an interchange point acceptable to both UP and RAILPOWER.

3.2 UP shall pay the costs of fuel, lube oil and all other maintenance items while locomotive is being operated by UP,

3.3 RAILPOWER will pay for all maintenance caused by equipment or system failure,

3.4 All risk and liability arising from the use of the Green Goat demonstrator by UP, other than arising from defective design and/or manufacture by RAILPOWER or

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caused by the negligence or misconduct of RAILPOWER, shall be for the account of UP and UP shall indemnify RAILPOWER therefore. The replacement cost for total loss shall be US\$600,000.

3.5 RAILPOWER shall deliver the locomotive to UP at the beginning of the lease at the closest UP interchange point at RAILPOWER's expense. RAILPOWER to pay for all costs associated with moving locomotive to/from UP interchange points as well as all costs associated with moving locomotive through US-Canadian customs. RAILPOWER is also to maintain and provide as needed all customs documentation.. If at the end of the demonstration lease, the unit is returned to RAILPOWER, UP at their cost shall return it to an interchange point in the UP system as agreed by RAILPOWER and UP.

3.6 RAILPOWER will pay for the travel, salary and other costs of its staff to monitor, service, direct service and other matters as required.

4. CONFIDENTIALITY

4.1 Except as provided under this clause, each party shall disclose the results of this demonstration only to those employees and professional advisers (including lawyers, accountants and brokers) with a need to know, and shall keep the existence and subject matter of this agreement confidential and shall not make any public announcement or disclose to any third party without the prior consent of the other parties unless required by law or the Canadian Venture Exchange. The parties specifically agree that a mutually agreed news release announcing this agreement will be issued. All information disclosed between the parties for the purposes of negotiations and identified as proprietary shall be treated as confidential by the receiving party and protected with the same extent as it treats its own proprietary information. This restriction shall not apply to information that is:

- (a) in the public domain;
- (b) already lawfully disclosed without restriction by the disclosing party to a third party; or
- (c) subsequently disclosed without restriction by the disclosing party to a third party.

4.2 By mutual agreement, RAILPOWER and UP will set up opportunities to demonstrate the Green Goat to press, environmental and other interested parties to showcase UP and RAILPOWER's commitment to superior operating economics and a cleaner environment.

5. GENERAL

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- 5.1 This agreement constitutes the entire Agreement between the parties and supersede any prior negotiation, understandings, and agreements between the Parties respecting the subject matter hereof. Modifications to this agreement must be in writing and signed by duly authorized representatives of each party.
- 5.2 This agreement may not be assigned in whole or in part by either party without the prior written consent of the other.
- 5.3 This agreement shall be governed by the laws of California and the laws of the United States applicable therein.

IN WITNESS WHEREOF the parties have executed this agreement with effect on the date first above written

UNION PACIFIC
RAILROAD COMPANY

RAILPOWER TECHNOLOGIES CORP.

per:

Print Name:

Gen Director Purchasing

per:

Print Name:

PRESIDENT